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## Dairy maker set to expand

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Kentucky's Agriculture Development Board on Friday gave its financial support to a Logan County milk processing and bottling facility that could serve as a model for the rest of the state.

While meeting in Bowling Green, the board approved the use of \$478,560 in state ag development funds - which are provided by the tobacco Master Settlement Agreement - that will be combined with \$9,422 from the Logan County ag fund, also from the MSA.

Todd Harp, project analyst for the board, said plans to seek the funding are moving faster than most projects do because of an opportunity to provide bottled milk to Kroger grocery stores.

Now J.D. Country Milk is providing milk in glass half gallons to high-end stores such as Whole Foods, under the label Rebekah Grace.

The funding, once all state and federal guidelines are met, will allow Willis Schrock and his family to significantly increase production.

"We are bottling about 1,200 half-gallons a day and this will take us up to 6,000," Schrock said after the approval.

The Schrocks have struck a deal to provide milk for Kroger's Private Selection label, to be test-marketed in 22 stores. If successful, the milk would be distributed in more than 170 stores and ultimately could even have further reach.

"If it's a big success, Kroger may demand a much larger facility," said ag board member M. Scott Smith, also dean of University of Kentucky's College of Agriculture.

"In my mind this is a safe bet because they have invested their own funding," said board member Sam Lawson of Bowling Green.

With existing equipment and other investments, the Schrocks will bring the value of the project close to \$1 million. They plan to contract with farmers in Logan and surrounding counties to supply the milk.

"Initially there was some misinformation that the Schrocks ... would only deal with Mennonite families," Harp said. "But that is not true ... they will deal with anyone who can meet their standards."

Harp told the board that the Schrocks at no point plan to provide a raw milk product; rather, they will use a low-temperature, extended-time pasteurizing process that maintains the flavor of the milk, more than one of which uses high temperatures.

In response to a question about how he would deal with months where milk production is particularly high, Schrock said his plans are to purchase a separator, which would allow the cream to be a standalone product.

"When that happens we will use the cream and maybe make butter and other products," he said.

The facility would eventually make buttermilk, 2 percent milk, skim milk, butter and cream. It now produces only whole milk and chocolate milk.

The plans are to benefit 30 small dairy operations, those which have fewer than 100 cows.

As an example of how the operation could work, Keith Rogers, executive director for the Governor's Office of Agricultural Policy, said someone such as Warren County dairy farmer Carl Chaney could decide to send his milk to the processing plant and have it bottled under his own label. Chaney could then bring it back to Chaney's Dairy Barn for sale.

Most farmers, however, will be providing the milk that will be used for Kroger and the Rebekah Grace label.

Roger Thomas, executive director of Kentucky Dairy Development Council, said the proposal is consistent with the board's philosophy to develop niche markets for finished Kentucky agriculture products.

"I think this can be viewed as a pilot project that could be duplicated across the state," Thomas said. "It's wonderful."

The funding is a forgivable loan over 10 years, which includes the terms that 25 percent of the farmers who benefit from the project either are or have been tobacco farmers. The forgiveness of the loan also calls for a payment of 23 cents per hundred weight of purchased product by J.D. Country Milk to the Kentucky Dairy Development Council.

Those funds will be placed in a special account to be used for the development of future value-added dairy projects in the state.

The board approved projects, including the milk facility, totaling more than \$1.8 million. Locally, Morgantown will receive a total of \$55,000 to erect a permanent steel building to be used as a farmers market that would be used by more than 20 farming operations.